

June 16, 2008

Russell G. Golden, Director of Technical Application and Implementation Activities,
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116



File Reference: Proposed FSP ARB 43-a

LETTER OF COMMENT NO. 24

Dear Mr. Golden,

PG&E Corporation is pleased to have the opportunity to comment on Proposed FASB Staff Position ("FSP") ARB 43-a. PG&E Corporation is an energy-based holding company with approximately \$13 billion in revenues and \$36 billion in assets at December 31, 2007. PG&E Corporation conducts its business primarily through its subsidiary, Pacific Gas and Electric Company, a regulated utility that provides natural gas and electricity services to its customers in Northern and Central California.

We support the Board's efforts for reducing inconsistencies that arise from applying mixed measurement attributes for trading activities. We agree with the overall requirement that inventories included in an entities trading activities should be recorded at fair value. However, we believe that the Board should include a requirement for clear designation of contract assets or liabilities accounted for as a trading position. Additionally, we believe the Board should broaden the scope of this project to address the inconsistencies associated with mixed measurement attributes for all trading positions, not just inventory positions. It is in this context that we respectfully request the Board to consider the following comments in its deliberations.

Issue 1: Commodity Inventories

PG&E Corporation agrees with the Board's decision to not limit the scope of the project to commodity inventories not used in production, wholesale, retail and distribution. However, we believe the final FSP would be improved if it were to include a broad list of factors to consider when evaluating whether a set of activities constitutes trading, as well as a requirement for management to explicitly designate the positions as trading. We believe the combination of a clear set of factors to consider, and the requirement for a clear designation as trading would reduce the potential for misinterpretation and improve consistency of reporting.

Issue 3: Trading Items Other Than Physical Inventories

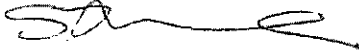
PG&E Corporation believes the Board should consider a broader scope project that would include all contracts, assets or liabilities within an entity's trading activities, even if it would result in significantly delaying the issuance of final guidance. By limiting the fair value measurements to only inventories included in a company's trading activities, the Board would only partially eliminate current issues in earnings volatility associated with the application of mixed measure

attributes for trading positions. SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities*, states that its "objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions." We believe this view should be extended beyond financial instruments and should be applied to all positions held for trading purposes, including inventory, intangible assets and energy contracts as defined in EITF 98-10, *Accounting for Contracts Involved in Energy and Risk Management Activities*. By expanding the scope to all aspects of a trading position, we believe that the Board would eliminate this issue with the current mixed attribute model, resulting in financials that better enable users to more timely assess the performance of the entirety of a company's trading activities.

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PG&E Corporation appreciates the opportunity to contribute to the standard setting process. We would be pleased to further discuss our comments in greater detail upon your request.

Sincerely,



Stephen J. Cairns

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